

## Message Text

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TAGS: OVIP (KISSINGER, HENRY A)

SUBJ: SECRETARY'S TRIP - FOREIGN MINISTER'S REMARKS ON  
THE SECRETARY'S IMPENDING CONVERSATION WITH CAP

1. SUMMARY: ON THE OCCASION OF ASSISTANT SECRETARY ROGERS' STOP HERE ESCOVAR SALOM REVIEWED FOR US THE VARIOUS "SENSITIVITIES" THAT WOULD BE INVOLVED IN THE SECRETARY'S TALKS WITH PRESIDENT PEREZ. THESE INCLUDED NATIONALIZATION OF THE OIL INDUSTRY AND PURPORTED "RETALIATION" BY THE USG; THE RELATED ISSUES OF OPEC AND THE OIL PRICE; THE PRECARIOUS FUTURE OF DEMOCRACY IN THE WORLD AND THE US FAILURE TO APPRECIATE VENEZUELA'S OWN DEMOCRACY; AND THE PANAMA CANAL. THE MINISTER'S CATALOGUE WAS ACCURATE AS FAR AS IT WENT. THE MAJOR UNDERLYING ISSUE IS VENEZUELAN FEAR AND RESENTMENT OVER WHAT IS SEEN HERE AS USG POLICIES AND ACTIONS THAT APPEAR TO DISCRIMINATE AGAINST THIS COUNTRY'S OIL EXPORTS. END SUMMARY.

2. ASSISTANT SECRETARY ROGERS, THE DCM AND I DISCUSSED WITH THE FOREIGN MINISTER THE SECRETARY'S IMPENDING VISIT. WE PARTICULARLY FOCUSED ON THE PROJECTED CONVERSATIONS BETWEEN THE PRESIDENT AND THE SECRETARY AS REPRESENTING THE HEART OF THE VISIT.

3. ESCOVAR SALOM SAID THAT THE EFFECTS OF THE NATIONALIZATION OF THE OIL INDUSTRY WOULD BE VERY MUCH ON THE PRESIDENT'S MIND. HE ASSERTED THAT A NUMBER OF VENEZUELANAS EXPECT THE US TO

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"RETALIATE" AND SUGGESTED THAT THE PRESIDENT MIGHT BE AMONG THEM.

THE SECRETARY'S PUBLIC HANDLING OF THE INEVITABLE QUESTION AS TO HOW WE VIEW THE NATIONALIZATION WOULD BE IMPORTANT. ESCOVAR DISCUSSED WITH US THE POSSIBILITY THAT THE SECRETARY, WHILE ACKNOWLEDGING IN RESPONSE THAT DIFFERENCES DO EXIST ON WHAT CONSTITUTES A CORRECT STANDARD OF COMPENSATION, COULD PUT THE ISSUE IN PERSPECTIVE BY REITERATING FOR PUBLIC CONSUMPTION OUR ACCEPTANCE OF THE SOVEREIGN RIGHTS OF STATES IN THIS AREA, BY POINTING OUT THAT THE DIFFERENCES ON COMPENSATION REFLECT HISTORICAL LEGAL PRINCIPLES AND NOT HOSTILITY TO VENEZUELA'S PARTICULAR POLICIES, AND BY EXPRESSING CONFIDENCE THAT A POSITIVE AND CONSTRUCTIVE RELATIONSHIP WILL CONTINUE IN ANY CASE.

THE MINISTER'S POINT WAS THAT WE SHOULD TRY ON BOTH SIDES TO "DEPOLITICIZE" WHAT ARE IN REALITY "NORMAL DIFFERENCES."

4. ESCOVAR ALSO NOTED THE PRESIDENT'S SENSITIVITY ABOUT ATTACKS ON OPEC AND THE OIL PRICE. THIS SENSITIVITY SPILLS OVER INTO OTHER AREAS AND JANGLES THE RELATIONSHIP. IT IS ALSO RELATED TO THE PURPORTED FEAR OF "RETALIATION." ESCOVAR NOTED THE PRESIDENT'S INCLINATION TO GO PUBLIC WHEN HE FEELS FRUSTRATED BY A LACK OF RESULTS

FROM PRIVATE DIALOGUE ON THESE PROBLEMS -- A TENDENCY THAT ESCOVAR SUGGESTED HE TRIES TO DISCOURAGE THRU HIS EFFORTS AT "DEPOLITIZATION."

5. ACCORDING TO THE MINISTER, PEREZ IS HEAVILY PREOCCUPIED BY WHAT HE SEES AS DEMOCRACY ON THE DEFENSIVE AND IN RETREAT ALMOST EVERYWHERE. HE -- OR AT LEAST ESCOVAR--BELIEVES THAT DEMOCRACIES MUST DO MUCH BETTER IN SUPPORTING DEMOCRATIC MOVEMENTS AROUND THE WORLD. THE PRESIDENT ALSO RESENTS WHAT HE BELIEVES IS A FAILURE IN THE US TO APPRICIATE VENEZUELA'S OWN DEMOCRACY, ITS RULE OF LAW (AS IN THE NATIONALIZATON) AND ITS PAST HISTORY--ALL AS REFLECTED IN PURPORTEDLY DISTORTED MEDIA COVERAGE OF THIS COUNTRY IN THE US.

6. FINALLY, THE MINISTER REFERRED TO THE PRESIDENT'S CONTINUING CONCERN FOR AN EQUITABLE SOLUTION OF THE PANAMA CANAL ISSUE. HE EXPRESSED PLEASURE THAT TORRIJOS HAD HEHEDED THE ADVICE OF PEREZ AND PRESIDENT LOPEZ TO BE DISCREET IN PANAMA. ESCOVAR  
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LOOKED FORWARD TO THE SECRETARY'S FRANK EXPOSITION TO THE PRESIDENT OF THE PROSPECTS FOR A NEW TREATY.

7. COMMENT: THE MINISTER'S REFLECTIONS ON HIS PRESIDENT'S ATTITUDES AND PREOCCUPATIONS WERE ACCURATE AS FAR AS THEY WENT. CARLOS ANDRES SEEMS GENUINELY TO BELIEVE THAT THE DEMOCRATIC FAITH IS IN GREAT PERIL BECAUSE OF WEAKENED RESOLVE IN THE DEMOCRACIES THEMSELVES. HE IS ALSO RATHER NAIVELY CONVINCED THAT

VENEZUELA'S UNFAVORABLE IMAGE IN THE US AS A LEADING MEMBER OF OPEC WOULD DISSIPATE IF THE AMERICAN PEOPLE ONLY "UNDERSTOOD" HOW SERIOUS RESPONSIBLE AND DEMOCRATIC THIS COUNTRY IS. AS FOR THE PRESS, HE IS UNHAPPY WITH HIS OWN AS WELL AS OURS, ASSERTING TO THE AMBASSADOR IN PRIVATE ON SEVERAL OCCASIONS THAT UNBRIDLED MEDIA IN PURSUIT OF SENSATION THREATENS DEMOCRACY.

8. BUT THE GUT ISSUE FOR THE PRESIDENT, AS FOR EVERYONE ELSE HERE, IS THE PETROLEUM RELATIONSHIP. WE KNOW HE IS TELLING HIS INNER CIRCLE THAT VENEZUELA'S DIFFICULTY IN SELLING ITS POST-NATIONALIZATON OIL IS DUE NOT TO THE HIGH PRICE AND DEPRESSED MARKET CONDITIONS BUT TO THE MACHINATIONS OF THE INTERNATIONAL COMPANIES. HE PROBABLY SEES THE USG IN CONNIVANCE WITH THE COMPANIES AND BENT ON QUIET "RETALIATION." FEA'S ENTITLEMENTS PROGRAM AND THE RESULTING HEAVY INROADS IN THIS COUNTRY'S US MARKET MADE BY AMERADA-HESS'S REFINERY IN THE VIRGINS IS VIEWED HERE, EVEN BY THE RELATIVELY DISPASSIONATE MINISTER OF MINES, AS REFLECTING "DISCRIMINATION" AGAINST VENEZUELAN OIL.

9. IN THE BACKGROUND IS THE MORE THAN TEN YEARS OF FRUITLESS EFFORT BY SUCCEEDING VENEZUELAN GOVTS TO OBTAIN "HEMISPHERE PREFERENCE" FOR THIS COUNTRY'S OIL COMPARABLE TO THE TREATMENT WE ACCORDED CANADA (AND IN THEORY MEXICO) DURING THE PERIOD OF QUOTAS. THAT EFFORT, OF COURSE, CEASED WITH THE SUCCESSFUL IMPOSITION OF THE OPEC CARTEL. BUT VENEZUELAN'S STILL THINK THAT SOME EFFORT BY THE USG TO PROVIDE FOR FAVORED TREATMENT IN THE US MARKET IS INDICATED AS IN OUR INTERESTS AS WELL AS THEIRS BECAUSE OF GEOGRAPHIC PROXIMITY, SECURITY OF SUPPLY AS DOMONSTRATED DURING THE ARAB BOYCOTT AND THE HISTORIC RELATIONSHIP. THEY ARE CAREFUL TO AVOID APPEARING TO SEEK SPECIAL FAVORS BUT PRIVATELY EXPRESS RESENTMENT OVER WHAT THEY SEE AS US POLICIES THAT ENCOURAGE IMPORTS OF ARAB CURDE AT THEIR EXPENSE. (THE PROBLEM HERE, AS THE DEPT IS AWARE, IS THAT ONLY VENEZUELA  
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AMONG THE OPEC COUNTRIES HAS SUBSTANTIAL DOMESTIC AND CLOSE OFF-SHORE REFINING CAPACITY). THESE THEMES OF "DISCRIMINATION" AND "RETALIATION" MAY WELL BE MUTED DURING THE SECRETARY'S VISIT BUT THEY WILL UNDERLIE A SIGNIFICANT NUMBER OF THE ATTITUDES HE ENCOUNTERS.  
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